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Start Drilling

What to do about oil? First it went from $60 to $80 a barrel, then from $80 to $100 and now to $120. Perhaps we can persuade OPEC to raise production, as some senators suggest; but this seems unlikely. The truth is that we're almost powerless to influence today's prices. We are because we didn't take sensible actions 10 or 20 years ago. If we persist, we will be even worse off in a decade or two. The first thing to do: Start drilling.

It may surprise Americans to discover that the United States is the third-largest oil producer, behind Saudi Arabia and Russia. We could be producing more, but Congress has put large areas of potential supply off-limits. These include the Atlantic and Pacific coasts and parts of Alaska and the Gulf of Mexico. By government estimates, these areas may contain 25 billion to 30 billion barrels of oil (against about 30 billion barrels of proven U.S. reserves today) and 80 trillion cubic feet or more of natural gas (compared with about 200 tcf of proven reserves).

What keeps these areas closed are exaggerated environmental fears, strong prejudice against oil companies and sheer stupidity. Americans favor both "energy independence" and cheap fuel. They deplore imports — who wants to pay foreigners? — but oppose more production in the United States. Got it? The result is a "no-pain energy agenda that sounds appealing but has no basis in reality," writes Robert Bryce in "Gusher of Lies: The Dangerous Delusions of 'Energy Independence.'"

Unsurprisingly, all three major presidential candidates tout "energy independence." This reflects either ignorance (unlikely) or pandering (probable). The United States imports about 60 percent of its oil, up from 42 percent in 1990. We'll import lots more for the foreseeable future. The world uses 86 million barrels of oil a day, up from 67 mbd in 1990. The basic cause of exploding prices is that advancing demand has virtually exhausted the world's surplus production capacity, says analyst Douglas MacIntyre of the Energy Information Administration. Combined with a stingy OPEC, the result is predictable: Any unexpected rise in demand or threat to supply triggers higher prices.

The politicians are blathering about oil prices and blocking what could help: domestic exploration.

The best we can do is to try to exert long-term influence on the global balance of supply and demand. Increase our supply. Restrain our demand. With luck, this might widen the worldwide surplus of production capacity. Producers would have less power to exact ever-higher prices, because there would be more competition among them to sell. OPEC loses some leverage; its members cheat. Congress took a small step last year by increasing fuel economy standards for new cars and light trucks from 25 to 35 miles per gallon by 2020. (And yes, we need a gradually rising fuel tax to create a strong market for more-efficient vehicles.)

Increasing production also is important. Output from older fields, including Alaska's North Slope, is declining. Although production from restricted areas won't make the United States self-sufficient, it might stabilize output or even reduce imports. No one knows exactly what's in these areas, because the exploratory work is old. Estimates indicate that production from the Arctic National Wildlife Refuge might equal almost 5 percent of present U.S. oil use.

Members of Congress complain loudly about high oil profits ($40.6 billion for Exxon Mobil last year) but frustrate those companies' desire to use those profits to explore and produce in the United States. Getting access to oil elsewhere is increasingly difficult. Governments own three-quarters or more of proven reserves. Perversely, higher prices discourage other countries from approving new projects. Flush with oil revenue, countries have less need to expand production. Undersupply and high prices then feed on each other.

But it's hard for the United States to complain that other countries limit access to their reserves when we're doing the same. If higher U.S. production reduced world prices, other countries might expand production. What they couldn't get from prices they'd try to get from greater sales.

On environmental grounds, the alternatives to more drilling are usually worse. Subsidies for ethanol made from corn have increased food prices and used scarce water, with few benefits. If oil is imported, it's vulnerable to tanker spills. By contrast, local production is probably safer. There were 4,000 platforms operating in the Gulf of Mexico when hurricanes Katrina and Rita hit. Despite extensive damage, there were no major spills, says Robbie Diamond of Securing America's Future Energy, an advocacy group.

Perhaps oil prices will drop when some long-delayed projects begin production or if demand slackens. But the basic problem will remain. Though dependent on foreign oil, we might conceivably curb the power of foreign producers. But this is not a task of a month or a year. It is a task of decades; new production projects take that long. If we don't start now, our future dependence and its dangers will grow. Count on it.